

Mobile Content Service Market in Russia

Summary: This report is an analysis of the mobile content services market in Russia, one of the country's youngest and fastest growing sectors. The mobile content market is forecasted to be the highest growth sector among other telecommunication services. In 2004, total revenue reached \$600 million, a 62% increase from the 2003. The most popular services included in this sector are ring tones and logos (44%), media-projects (22%), and information and entertainment (14%).

General Overview

Mobile content providers established themselves in Russia in 2000 and began providing value added services (VAS). The first content provider in Russia was BiOnLine Company, a subsidiary of the leading Russian mobile operator VypelCom. The other leading cellular operator, MobileTeleSystems (MTS) also established a similar subsidiary structure. Both of these subsidiaries are no longer in business due to their inability to successfully compete with small independent content providers. Today more than 100 content providers compete in the Russian market. A majority of them develop their own ring tones, games, and pictures, while few still purchase such programs from foreign companies (mostly games).

Mobile Content Services Market Trends

The normal course of business in Russia is for providers to sign a contract directly with cellular operators for each VAS. On occasion, some providers chose to work through a mediator company called an aggregator. The average Russian cellular operators' revenue share is significantly larger than in other countries due to a cellular market monopoly. Specifically, the cellular communication market is extremely concentrated with 88% of total revenue belonging to three major national cellular operators: MTS, VypelCom and Megafon. Russia cellular operators usually account for 30-50% of the total revenue for content distribution which is a higher percentage than many parts of the world. Content providers and copyright holders account for the remaining 40% and 10%, respectively. Russian telecommunication experts claim that as the market continues to develop, the current situation (monopoly) has the possibility of changing for the better.

According to iKS-Consulting, the revenue generated from content services accounted for 3.6% of total cellular services revenue in 2004. The following table is a listing of such services:

Service	Total Share (January – September 2004)
Logos and ring tones	44%
Media projects	22%
Information and Entertainment	14%
Communication	13%
Games	6%
Other	1%

Source iKS-Consulting

Also according to iKS-Consulting, the total revenue for content providers (excluding revenue accounted for by operators, aggregators, and copyright payments to program developers/authors) was forecasted to reach \$100 million by the end of 2004. The following table is a listing of such providers:

Content Provider	Revenue Share (January – September 2004)
i-Free	14%
Inform-Mobile	13%
Infon	12%
Solvo International	5%
Next Media	5%
Jippii	5%
SPN Digital	4%
Nikita Interactive	4%
Sibius International	3%
SMS Media Solutions	3%

Source iKS-Consulting

Opportunities for US Companies

As detailed above, currently the Russian mobile content services market offers U.S. companies great opportunities in the Russian telecommunications sector as it is expected to experience significant growth over the next few years. U.S. companies supplying equipment and technologies for this sector are encouraged to enter the market to take advantage of these opportunities as early as possible.

U.S. Commercial Service Programs and Assistance

U.S. Commercial Service offices in Russia offer U.S. exporters a number of services aimed at generating export sales, including identifying distributors and arranging meetings with prospective buyers during business visits to Russia. For more information on our services, please visit our web site at www.buyusa.gov/russia/en or contact us directly:

Natalia Ivanova

Commercial Specialist

U.S. Commercial Service, Moscow, Russia - U.S. Embassy

Tel: (+7-095) 737-50-36

Fax: (+7-095) 737-50-33

Email: Natalia.Ivanova@mail.doc.gov

Visit our website: <http://www.export.gov>